FISCAL NOTE

Bill #: SB0207 **Title:** Tax incentive to install pumps to dispense ethanol-blended fuel

Primary Sponsor: Kitzenberg, S **Status:** As Introduced

Sponsor signature Date Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
State Special Revenue	$0	$0
Revenue:		
State Special Revenue	($36,000)	($24,000)
Net Impact on General Fund Balance:	$0	$0

☐ Significant Local Gov. Impact
☒ Technical Concerns
☐ Included in the Executive Budget
☐ Significant Long-Term Impacts
☐ Dedicated Revenue Form Attached
☐ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. There are approximately 800 retail stations in Montana.
2. The average cost of installing a tank and pump is greater than $500. A pump has to sell 10,000 gallons of ethanol-blended fuel to receive $500.
3. Fifteen percent of the retail stations will install or convert one pump to ethanol-blended fuel (.15 x 800 pumps = 120)
4. Total cost to the Department of Transportation would be $60,000. (120 x $500 = $60,000). (Note: If a larger percentage of retail stations were to convert ethanol-blended fuel, the impact would be: 20% = $80,000, 25% = $100,000, & 30% = $120,000).
5. About 60 percent of the ethanol-blended incentive would be paid in the last six months of FY 2004. The remaining 40 percent would be paid in FY 2005. (60% x $60,000 = $36,000) (40% x $60,000 = $24,000)

FISCAL IMPACT:

	FY 2004 Difference	FY 2005 Difference
Revenues:		
State Special Revenue (02)	($36,000)	($24,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
State Special Revenue (02)	($36,000)	($24,000)

TECHNICAL NOTES:

1. Under 15-70-522, MCA, the department must reserve up to $3 million dollars of the alcohol incentive payments when a written plan is received from an alcohol producer. There are currently two applicants who have submitted written plans, thus reserving the entire $6 million eligible for alcohol incentives. Since this dollar amount is reserved, there is no money for the incentive for retailers until the ethanol plants go into production and begin to receive less than $3 million per year.

   The bill sets no priority for incentive payments between gasohol retailers and alcohol producers. The bill should specify who would receive priority for the payments.